

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

LOOPS LLC, a Delaware limited liability company, LOOPS FLEXBRUSH LLC, a Delaware limited liability company,

Plaintiffs,

V.

PHOENIX TRADING, INC. dba
AMERCARE PRODUCTS, INC., a
Washington Corporation, et al.,

Defendants.

Case No. C08-1064RSM

BENCH ORDER, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

I. INTRODUCTION

In this action, Plaintiffs Loops, LLC and Loops Flexbrush, LLC (collectively “Loops”) alleged that Amercare fraudulently obtained a sample of the patented Loops Flexbrush, sent the sample to China to be copied, and sold the infringing copies at a lower price, outbidding Loops on a supply contract. Loops originally brought claims for patent infringement, violations of the Lanham Act, unfair competition under Washington common law, violations of the Washington Consumer Protection Act, and fraud. After numerous dispositive rulings, the only claim left for trial was one for patent infringement, limited only as to Amercare, Wendy Hemming and H&L, and only as to the import in July 2008. Dkt. #405 at 6.

On October 24, 2016, the Court conducted a bench trial in this matter. Prior to that trial, the parties submitted a proposed Pretrial Order, wherein Defendants stipulated to liability and agreed that Plaintiffs were owed compensatory damages. Dkt. #417. The Court adopted

1 the Pretrial Order. Dkt. #418. Accordingly, the only issues left for trial were related to
2 damages – specifically, whether Plaintiffs are entitled to treble damages under 35 U.S.C. § 284,
3 and whether Plaintiffs are entitled to their attorneys’ fees under 35 U.S.C. § 285.

4 At trial, there was one live witness, Defendant Wendy Hemming. The parties had
5 stipulated to the admission of two exhibits – the Loops ’286 patent (Exhibit No. 83) and a letter
6 dated June 13, 2008, from Plaintiffs’ counsel to Defendant Hemming (Exhibit No. 109) –
7 however, of those two exhibits, only Exhibit No. 109 was actually offered at trial. *See* Dkts.
8 #418 and #426. Plaintiffs also offered additional exhibits – Exhibit Nos. 4, 36, 69, 116, 133,
9 134 and 136. Following the bench trial, the parties submitted proposed Findings of Fact and
10 Conclusions of Law. Dkts. #424 and #425.
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12 Having considered the pleadings, trial briefs, sworn testimony of witnesses, and
13 exhibits, the Court now FINDS AND CONCLUDES that Plaintiffs are not entitled to treble
14 damages, and are not entitled to attorneys’ fees, and makes the following Findings of Fact and
15 Conclusions of Law.
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17 **II. JUDICIAL NOTICE**

18 As the Court previously informed the parties, the Court takes judicial notice of the
19 records filed on the public docket in this matter. Dkt. #426 at 56:8-12; Fed. R. Evid. 201; *Lee*
20 *v. City of Los Angeles*, 250 F.3d 668, 688-89 (9th Cir. 2001).
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22 **III. FACTS STIPULATED BY THE PARTIES¹**

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- 24 1. On August 18, 2004, Loops submitted an application for a utility patent for a
25 flexible handle toothbrush to the US Patent & Trademark Office, Application No.
26 10/920,822.
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28 ¹ Pretrial Order, Dkt. #418 at 2-3. *See also*, Dkt. #426 (Trial Transcript) and Exhibit Nos. 4, 36, 69, 109, 116, 133, 134 and 136.

- 1 2. Plaintiffs' representative Steven Kayser and Defendant Wendy Hemming first met
2 via telephone in January 2006.
- 3 3. Mr. Kayser sent Ms. Hemming samples of the flexible handle toothbrush in January
4 2006.
- 5 4. The samples received by Ms. Hemming from Mr. Kayser were individually
6 packaged in clear packaging with printing on the packaging which stated patent
7 pending.
- 8 5. Ms. Hemming sent the samples she received from Mr. Kayser to China to see if they
9 could be made in China.
- 10 6. Defendants manufactured in China an exact copy of the sample flexible handle
11 toothbrushes Ms. Hemming received from Mr. Kayser.
- 12 7. On February 26, 2008, the US Patent & Trademark Office granted Loops' utility
13 patent application for a flexible handle toothbrush, Application No. 10/920,822, and
14 issued United States Patent No. 7,334,286 for Toothbrush and Methods of Making
15 and Using Same ('286 Patent).
- 16 8. On June 13, 2008, Defendants received actual notice of Loops' patent.
- 17 9. On July 11, 2008, Plaintiffs filed this lawsuit alleging a claim for patent
18 infringement of the '286 Patent.
- 19 10. On July 23, 2008, Defendants imported 192,672 infringing toothbrushes into the
20 United States.
- 21 11. Plaintiffs' damages for Defendants' importation of 192,672 infringing toothbrushes
22 into the United States on July 23, 2008, is \$54,718.85.
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IV. CREDIBILITY OF THE WITNESSES

As noted above, only Ms. Hemming testified at trial. The Court finds that she was credible. Her answers during testimony were complete and appeared to be honest, and her demeanor and behavior on the witness stand leads the Court to conclude that she was a truthful, credible witness. *See United States v. Hovsepian*, 422 F.3d 883, 888 (9th Cir. 2005) (*en banc*) (“[T]he district court was entitled to view Appellees as generally credible, despite the government’s assertion that Appellees displayed an overall lack of candor and made self-serving assertions . . . determinations to which we owe considerable deference.”).

V. ADDITIONAL FINDINGS OF FACT

The Court now enters these additional Findings of Fact:

1. Defendant Phoenix Trading, Inc. d/b/a Amercare Products, Inc. (“Amercare”) is a Washington corporation. Dkt. #426 at 8:23-9:2.
2. Defendant Hemming is the President and 100% owner of Amercare. *Id.* at 9:3-7.
3. Ms. Hemming requested that her Chinese contact, Jack Chow, identically copy the flexible handle toothbrush with the only change being the name on the packaging. *Id.* at 14:2-7.
4. Mr. Chow advised Ms. Hemming that he could make an identical flexible handle toothbrush. *Id.* at 14:8-10.
5. Mr. Chow sent Ms. Hemming a sample of the flexible handle toothbrush. *Id.* at 14:20-15:1 and Exhibit No. 133. The toothbrush bore Defendants’ trade name “Amercare” and the brushes did not bear the legend “Pat. Pend.” Exhibit No. 134.
6. Ms. Hemming then sent the sample of to New York City as part of a competitive bid Amercare made to the city. *Id.* at 15:2-5.

- 1 7. Ms. Hemming entered into a contract with Mr. Chow to manufacture the flexible
2 handle toothbrushes in China. Dkt. #426 at 15:6-9.
- 3 8. The only difference between the sample of Plaintiffs' flexible handle toothbrush
4 sent to Ms. Hemming in January 2006 and the flexible handle toothbrush which Ms.
5 Hemming had manufactured in China was the name placed on the toothbrush. *Id.* at
6 16:8-16 and Exhibit No. 134. The packaging was also different. *Id.* at 25:1-12.
- 7 9. Ms. Hemming's intent when she sent the samples to China was to manufacture an
8 identical flexible handle toothbrush and then use the copied flexible handle
9 toothbrush to competitively bid against Plaintiffs for the New York City contract.
10 *Id.* at 16:22-17:1.
- 11 10. Ms. Hemming knew when she submitted her bid to New York City that the price
12 she was quoting was below what Plaintiffs were bidding for the New York City
13 contract based on her conversations with Mr. Kayser and quotes he had supplied her
14 for the toothbrushes. *Id.* at 17:2-8.
- 15 11. Ms. Hemming intended to bid lower than Plaintiffs to win the New York City
16 contract. *Id.* at 17:9:16.
- 17 12. Amercare won the New York City bid for supplying flexible handle toothbrushes.
18 *Id.* at 17:19-21.
- 19 13. Amercare began receiving orders for the copied flexible handle toothbrushes from
20 New York City in July 2007. *Id.* at 18:20-19:1 and Exhibit No. 36.
- 21 14. In October 2007, Ms. Hemming was aware that Plaintiffs contended that Amercare
22 was infringing on the pending patent application. *Id.* at 21:10-14 and Exhibit 69.
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1 15. On November 16, 2007, Defendants received from Plaintiffs' patent lawyer, Bernie
2 Kleinke, a copy of Loops' application for a utility patent for a flexible handle
3 toothbrush to the US Patent & Trademark Office, Application No. 10/920,822. Dkt.
4 #426 at 19:9-20:4 and Exhibit No. 69.

5 16. After receiving Plaintiffs' patent application, Defendants continued to import and
6 sell their flexible handle toothbrush to NYC. *Id.* at 20:9-12.

7 17. On July 11, 2008, Defendants received notice from NYC of the issued '286 patent
8 and Plaintiffs' claims of patent infringement. *Id.* at 21:4-9 and Exhibit No. 116.

9 18. With the exception of the toothbrushes provided in discovery in this matter, the July
10 2008 shipment of toothbrushes remains in Defendants' warehouse. Dkt. #426 at
11 28:18-29:15.

12 19. Defendants have not imported or sold the toothbrushes after that shipment. *Id.* at
13 28:18-30:5.

14 20. Loops did not send Amercare a notice that its patent had issued until June 13, 2008.
15 Dkt. #287 at 5.

16 21. On October 13, 2008, Plaintiffs filed an amended Complaint alleging a claim for
17 patent infringement of the '286 Patent. Dkt. #41.

18 22. On December 4, 2008, Defendants filed their Answer which alleged affirmative
19 defenses of Non-Infringement and Patent Invalidity. Dkt. #44 at 11-12.

20 23. On April 2, 2009, Defendants served responses to interrogatories which represented
21 that the last date of importation of flexible handle toothbrushes was May 2008. Dkt.
22 #380, Ex. B at 26 and 29.

1 24. On June 9, 2009, Defendants withdrew “from this case [their] claims of patent
2 invalidity, and [their] claims that the product at issue did not fall within one or more
3 claims of the patent at issue.” Dkt. #52 at 2.

4 25. On November 2, 2009, Defendant Hemming testified that she did not know when
5 the last shipment of toothbrushes was imported into the United States. Dkt. #380,
6 Ex. C at 80:22-81:4.

7 26. On November 23, 2009, Plaintiffs filed a motion for contempt of court sanctions
8 based on Defendants’ failure to produce certain documents. Dkt. #110.

9 27. On March 3, 2010, this Court granted Plaintiffs’ motion for contempt, finding
10 Defendants destroyed and/or withheld relevant documents. Dkt. #152 at 7.

11 28. On March 3, 2010, Defendants filed a motion for summary judgment representing
12 that the last date they imported flexible handle toothbrushes was May 22, 2008.
13 Dkts. #153, #154 at 14. That date actually reflected a shipment date for toothbrushes
14 to New York from Amercare. Dkt. #156, Ex. J.

15 29. In its July 30, 2010, Order on Summary Judgment, this Court determined that
16 Amercare’s last shipment to NYC-DOC occurred before Loops sent Amercare
17 notice on June 13, 2008 that its patent on the Flexbrush had issued. Dkt. #233. The
18 Court also found that Flexbrushes with packaging listing the product’s patent
19 number did not enter the United States until September 12, 2008, months after
20 Amercare’s last sale to NYC-DOC. *Id.* As a result, this Court held that Loops was
21 not entitled to any monetary damages from Amercare or Ms. Hemming. *Id.* at 7
22 (“Since all of Amercare’s importation and sales of its Amerfresh Soft Handle
23 toothbrush occurred on or prior to May 22, 2008, long before the Loops Flexbrush
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1 was properly marked, section 287 bars Loops from recovering infringement
2 damages.”). The Court reached this conclusion based on the evidence before it. Its
3 decision was specifically predicated on the finding that Amercare had not sold any
4 soft handle toothbrushes after May 22, 2008. Shortly thereafter, based on the same
5 understanding regarding the date of the last shipment of Amercare soft handle
6 brushes and the date upon which Amercare was made aware of Loops’ issued
7 patent, the Court dismissed plaintiffs’ claims for monetary damages against H&L
8 Industrial as well. Dkt. #236.

10 30. In August, 2010, Plaintiffs sent a Freedom of Information Act request for
11 documents to the State of West Virginia. The request sought vendor catalogs of
12 Amercare products. Shortly thereafter, the State of West Virginia sent Loops
13 Flexbrush, LLC responsive documents. The documents revealed that in December,
14 2009, Defendants provided a Response to a Request for Quotation to the State of
15 West Virginia. The response was personally signed by Wendy Hemming and
16 notarized by Julie Siegel. Dkt. #262, Ex. F. It contained two price lists, each
17 including a toothbrush, designated by “TB-FLX,” called the “Better Than No-Shank
18 Flexible Toothbrush.” The TB-FLX brushes were offered for sale for 75 cents each.
19 The price sheet was never produced in discovery, yet the lists themselves contained
20 the marking, “effective date 07/07/07”. Dkt. #287 at 9.

22 31. On March 15, 2011, this Court found that Defendants had engaged “in a pattern of
23 deception and misrepresentation,” and that Defendants had violated the Court’s
24 prior discovery Order and granted Plaintiffs’ motion for sanctions. Dkt. #287. As a
25 result, entered default judgment against Defendants. *Id.*

1 32. On November 19, 2012, the Court held a hearing on Plaintiffs' motion for default
2 damages. Dkt. #340.

3 33. On March 19, 2013, the Court issued an Order granting Plaintiffs' motion, and
4 awarding default damages in the amount of \$54,718.85 against Defendants and
5 attorney fees in the amount of \$200,926.00 against Defendants and defense counsel.
6 Dkt. #345.

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8 34. Plaintiffs appealed the Court's default damages Order to the Federal Circuit Court
9 of Appeals. Dkt. #348.

10 35. On September 5, 2013, Defendants filed their Opening Brief with the Federal
11 Circuit representing they stopped importing the flexible handle toothbrushes when
12 they learned Plaintiffs were claiming infringement. Dkt. #380, Ex. D at 53.

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14 36. On September 9, 2014, former defense counsel Rick Klingbeil represented that the
15 July 2008 toothbrush imports were disclosed by Defendants during discovery. Dkt.
16 #380, Ex. E at p.56-60.

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18 37. On November 13, 2014, the Federal Circuit Court of Appeals affirmed in part and
19 reversed in part this Court's Order on default damages and remanded the matter.
20 Dkt. #360.

21 38. On July 22, 2015, this Court vacated its prior default damages in part, reinstated
22 Defendants' pleadings, including their Answer and Affirmative Defenses, vacated
23 its prior Order entering monetary sanctions in its entirety, awarded Plaintiffs
24 \$187,060.00 in attorney's fees against Defendants as a sanction for Ms. Hemming's
25 false deposition testimony and for their noncompliance with the Court's prior
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1 discovery Order, and ordered that no sanctions would be imposed against former
2 defense counsel Klingbeil.

3 39. On March 3, 2016, this Court vacated its prior summary judgment Orders in part,
4 and allowed Plaintiffs' patent infringement claim to proceed, limited to the patent
5 infringement claim, only as to Amercare, Wendy Hemming and H&L, and only as
6 to the import in July 2008. Dkt. #405 at 6.

8 VI. CONCLUSIONS OF LAW

- 9 1. Jurisdiction lies in this Court under both 28 U.S.C. § 1338(a) and 28 U.S.C. § 1331
10 because this is an action arising under the patent laws of the United States.
- 11 2. A claim for patent infringement arises when an unauthorized party "makes, uses,
12 offers to sell, or sells any patented invention, within the United States or imports
13 into the United States any patented invention during the term of the patent" 35
14 U.S.C. § 271(a).
- 15 3. Defendants have stipulated to liability in this matter, and agrees that they are liable
16 for damages in the amount of \$54,568.00
- 17 4. Under 35 U.S.C. § 284, this Court may increase the damages up to three times the
18 amount found or assessed.
- 19 5. In *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, __ U.S. __, 136 S. Ct. 1923 (2016), the
20 United States Supreme Court held that an award of enhanced damages is
21 discretionary, is governed by a preponderance of the evidence standard, and that
22 such damages are generally reserved for egregious cases of culpable behavior.
- 23 6. The Court concludes that enhanced damages are not warranted in this case. Prior to
24 the issuance of the '286 patent in February of 2008, Defendants did not engage in
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1 infringing conduct. Indeed, it is well-settled that there can be no infringement of
2 any patent prior to its issuance. *See, e.g., Cohen v. United States*, 487 F.2d 525, 527
3 (Cl. Ct. 1973); *Coakwell v. United States*, 372 F.2d 508, 511 (Cl. Ct. 1967);
4 *Muskegon Piston Ring Co. v. Olsen*, 307 F.2d 85, 89 (6th Cir. 1962), *cert. denied*,
5 371 U.S. 952 (1963); *Inject-O-Meter Mfg. Co. v. North Plains Fertilizer & Co., Inc.*,
6 308 F. Supp. 538, 541 (N.D. Tex. 1970), *aff'd*, 439 F.2d 1138 (5th Cir.), *cert.*
7 *denied*, 404 U.S. 824 (1971). The parties agree that on June 13, 2008, Defendants
8 received actual notice of Loops' patent. While Defendants had notice prior to that
9 time of the pending patent application, Ms. Hemming searched for an issued patent
10 prior at the time she ordered her flexible toothbrushes, and found that none had yet
11 issued. Dkt. #426 at 27:23-28:9. After she became aware of the issued patent in
12 June 2008, Ms. Hemming ceased selling or providing the toothbrushes to New York
13 City Department of Corrections. *Id.* at 28:18-30:5. The toothbrushes that had been
14 manufactured and were already in transit to the United States, were received, but
15 remain in Defendants' warehouse to this day. *Id.* at 28:10-29:5. Under these
16 circumstances, the Court does not find that enhanced damages are warranted.

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- 18 7. Under 35 U.S.C. § 285 the Court may award reasonable attorneys fees to the
- 19 prevailing party in "exceptional" cases.
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- 21 8. In *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, __ U.S. __, 134 S. Ct.
- 22 1749, 1756, 188 L. Ed.2d 816 (2014), the United States Supreme Court clarified
- 23 how courts should analyze fee requests under the Patent Act. The Supreme Court
- 24 held that a district court analyzing a request for fees under the Patent Act should
- 25 look to the "totality of the circumstances" to determine if the infringement was
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1 exceptional. *Octane Fitness*, 134 S. Ct. at 1756. The court also explained that “an
2 ‘exceptional’ case is simply one that stands out from others with respect to the
3 substantive strength of a party’s litigating position (considering both the governing
4 law and the facts of the case) or the unreasonable manner in which the case was
5 litigated.” *Id.* The Court eschewed a “precise rule or formula for making these
6 determinations” and instructed that equitable discretion should be exercised “in light
7 of the considerations we have identified.”” *Id.* (quoting *Fogerty v. Fantasy, Inc.*,
8 510 U.S. 517, 534, 114 S. Ct. 1023, 127 L. Ed. 2d 455 (1994)). Specifically, the
9 Court cited a “‘nonexclusive’ list of ‘factors,’ including ‘frivolousness, motivation,
10 objective unreasonableness (both in the factual and legal components of the case)
11 and the need in particular circumstances to advance considerations of compensation
12 and deterrence.’” *Id.* at 1756 n.6 (quoting *Fogerty*, 510 U.S. at 534 n.19). The
13 Court further clarified that the applicable burden of proof for fee entitlement was the
14 preponderance of the evidence standard and not proof by “clear and convincing
15 evidence.” *Id.* at 1758.

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19 9. The Court concludes that this is not an “exceptional” case warranting an award of
20 attorneys’ fees. With the exception of the single patent infringement claim at issue
21 in this Order, all of Plaintiffs’ claims were dismissed on the merits. The conduct for
22 which Defendants were sanctioned related to procedural issues before this Court.
23 Defendants have already received sanctions sufficient for the purpose of deterrence
24 of future similar conduct. Once the legal issues were narrowed for trial by the
25 Court, Defendants conceded liability and agreed to the entry of an award for
26 damages against them. Looking at the allegations as a whole and the totality of the
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1 circumstances in this case, there is nothing that makes this matter any more
2 exceptional than other patent cases involving similar conduct.

3 **VII. CONCLUSION**

4 Having entered the above Findings of Fact and Conclusions of Law, the Court hereby
5 ORDERS that:

- 6
- 7 1. Defendants' shall pay Plaintiffs \$54,718.85 for their infringement of United
8 States Patent No. 7,334,286 for Toothbrush and Methods of Making and Using
9 Same ('286 Patent).
- 10 2. Defendants are permanently enjoined from any conduct infringing the '286
11 patent for as long as it is valid.
- 12 3. Defendants are directed to dispose of the flexible toothbrushes currently being
13 stored in their warehouse by donating them to a shelter(s) for the homeless of
14 their choice.
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- 16 4. Plaintiffs are not entitled to treble damages under 35 U.S.C. § 284.
- 17 5. Plaintiffs are not entitled to attorneys' fees under 35 U.S.C. § 285.
- 18 6. This matter is now CLOSED.
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20 DATED this 9th day of November 2016.

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22 RICARDO S. MARTINEZ
23 CHIEF UNITED STATES DISTRICT JUDGE
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